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## Romania

### Dairy and Products

### Annual

### 2003

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**Report Highlights:**

Domestic supply of raw milk continues to be the main constraint to the commercial processing expansion. Production is forecast to decline in 2004, triggered by the extreme dryness in 2003. Milk collection however is expected to improve, as investments in cold storage and processing facilities emerge. Consumption stays at very low levels. The dairy product market is still immature, but with a net trend towards consolidation and very dynamic.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Sofia [BU1]  
[RO]

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## Production

Raw milk production was stable over the past five years in Romania, though feed shortages caused by the extreme drought in 2003 might trigger animal slaughter and reduce herds towards the end of the current year.

Milk quality continues to constrain expansion of the commercial sector because of deficient sanitation in farms and insufficient cold storage facilities. Supply has a strong seasonal trait and is very dispersed in the territory, as the number of raw milk producers is around 1.2 million, of which only less than 900 hold more than 15 cows. Moreover, average yield per cow is very low, significantly below the genetic potential because of deficient feeding and husbandry practices.

In order to ensure some control over both milk quantity and quality, some of the large processors provide additional incentives and services to their suppliers. One example is to give farmers dairy heifers, with future payment in milk. The western type of co-op practically does not exist.

Romania requested a 7.7 million MT of milk quota in its EU accession negotiations, based on historical total production figures. Nonetheless, in Romania's position paper it is admitted that the dual structure of the domestic dairy sector, where market-oriented operations coexist with small subsistence farms, require deep restructuring. Under the current circumstances, marketable production cannot reach the requested quota.

## Consumption

Of the about 5.5 million MT of milk (of which some 350,000 MT is sheep and goat milk), the processing plants absorb only 22-24 percent. Milk collection is expected to improve slowly, as investments (including under EU-Sapard<sup>1</sup> funding) in cold storage and processing facilities emerge.

Sales of raw, non-pasteurized milk to final consumers in open markets have been allowed until the end of 2003. Though a health hazard, this channel traditionally absorbs about 24 percent of domestic production. Despite the adoption of food safety regulations in line with EU principles, such practices are likely to continue, as legislation enforcement is still precarious. This is also encouraged by consumer behavior, for who such "natural" whole milk is healthier and who consequently is willing to pay more than the processors, immediately and in cash.

Household self-consumption is also high, around 41 percent. Another 12 percent of the total production is used as feed.

Though still very low (about 30 percent less than in EU), dairy products consumption is stable and urban demand is increasingly sophisticated.

There is no dominant single player in the market, but a number of international players: Danone (French), Friesland (Dutch), Parametru (Greek) are present. Approximately 900 companies make this sector one of the most dynamic in the food industry (the growth rate in 2001 compared to the previous year was 154%). Nationally recognized brands are very few, since the market is still immature.

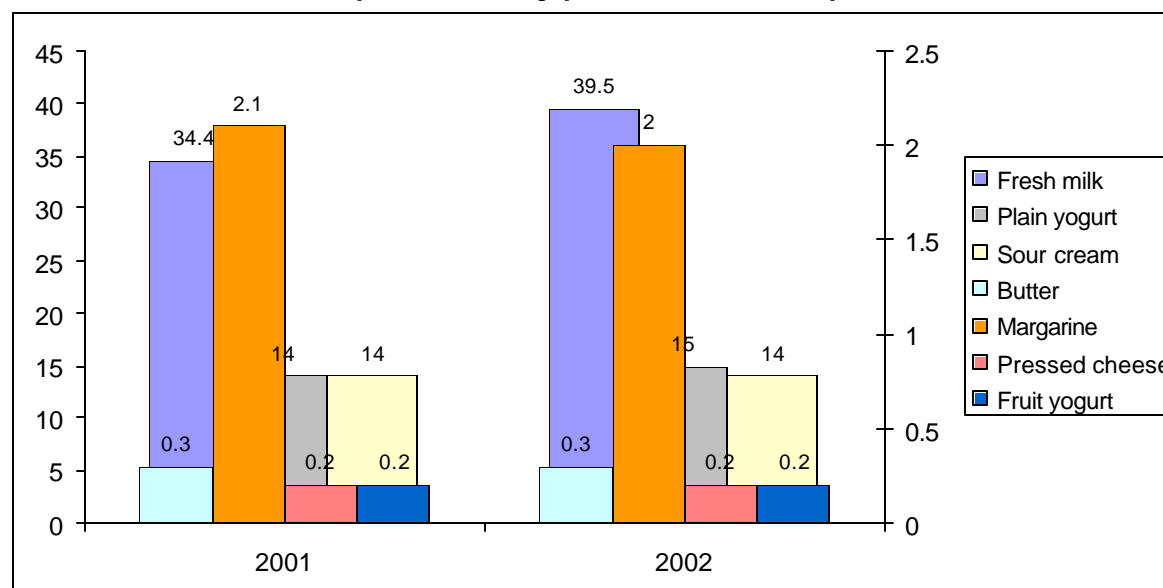
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<sup>1</sup> For the dairy industry, Sapard grants can cover 50% of the total project cost.

Products with strong potential are fresh milk, white cheese (Feta-like), and pressed (sheep) cheese. The share of yogurt and other sour milk products is estimated at 18 percent of the total 2002 industrial dairy production.

Per capita consumption of main dairy products has not varied much over the last three years (Chart 1).

**Chart 1: Annual consumption of dairy products (KGS/capita)**



## Trade

Romania remains a net importer of dairy products, including raw milk for processing brought from the neighboring countries, from which transportation costs are bearable to make this commodity tradable. Hungary remains the main important supplier, after Moldova was banned in mid-2002 to export to Romania, as a consequence of adoption by of the "third country requirements"<sup>2</sup>. For 2003 AgBucharest expects import of fluid milk (including processed, packed milk) to stay fairly stable, at about 2,000 MT.

Production figures show a slight decline in 2003 (seven months) compared to January-July 2002 and so do import figures. The annual trade pattern are imports standing close to 1,500 MT of special cheeses (different varieties of pressed cheese, Suisse cheese, blue cheese) mainly from the EU and Hungary and exports between 3,000 and 4,000 MT of feta-type cheese to Greece, Turkey, Germany. According to Romanian Customs, in 2002 the country shipped 320 MT of feta-type cheese to US.

On the contrary, both production and imports of butter are on an ascending slope in 2003 compared to the previous year. Main suppliers are from EU and CEFTA, that enjoy special preferences (Table 1).

Imports of fruited, flavored fresh dairy products increased by 40 percent in 2002 versus 2001.

<sup>2</sup> Only countries and plants approved to export to EU can export to Romania.

**Table 1: Import Duties for Dairy Products in 2003 (%)**

HSC	Product	MFN	Applied to imports from EU	Applied to imports from CEFTA
0401	Dairy milk	35	35	35 (1)
0405	Butter	45	18.8 (2)	45 (3)
0406	Cheese	45	0 (4)	45

(1) 30% for Poland, 30% for 100 MT from Slovenia

(2) For a quota of 1,900 MT

(3) 25% for 200 MT from the Czech Republic

(4) For 2,500 MT under the "Double Zero" Agreement

### Prices

Prices of raw milk for processing climb in fall and winter and decrease in summer. Farm-gate prices varied between \$13 – 16 per HL in 2003 (see Prices Table). Though generally higher in real terms than a year earlier, these still depressed levels continue to be a disincentive for farmers to sell to the processing industry. On the other hand, processors cannot afford to pay more because of their high additional costs: difficult collection from small farms, with precarious sanitation and poor transport infrastructure.

Processed dairy products are sold at stable prices.

### Domestic Support

Throughout 2003 GOR has continued its procurement subsidy program for several commodities, including milk. State subsidy for cow milk sold to processors is currently at \$0.05/liter in summer and 0.06/liter in winter. These payments are set for the standard 3.5% fat milk, with no reference to protein content, dry matter or germ number.

Additional legislation was passed in order to help recovery of the sector and prevent drops in the livestock number. Thus, farmers are eligible for a lump sum for heifers bearing calves for the first time and for newly born calves resulted through artificial insemination.

# PSD Table

Country

Romania

Commodity

Dairy, Milk, Fluid

(1000 HEAD)(1000 MT)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official	Estimate [DA]	Official	Estimate [DA]	Official	Estimate [New]	
Market Year Begin	01/2002			01/2003		01/2004	MM/YYYY
Cows In Milk	1550	1550	1550	1541	0	1538	(1000 HEAD)
Cows Milk Production	5150	5150	5200	5270	0	5230	(1000 MT)
Other Milk Production	340	340	350	350	0	360	(1000 MT)
TOTAL Production	5490	5490	5550	5620	0	5590	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	3	4	1	2	0	2	(1000 MT)
TOTAL Imports	3	4	1	2	0	2	(1000 MT)
TOTAL SUPPLY	5493	5494	5551	5622	0	5592	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Fluid Use Dom. Consum.	3460	3460	3511	3550	0	3430	(1000 MT)
Factory Use Consum.	1350	1350	1350	1400	0	1500	(1000 MT)
Feed Use Dom. Consum.	683	684	690	672	0	662	(1000 MT)
TOTAL Dom. Consumptic	5493	5494	5551	5622	0	5592	(1000 MT)
TOTAL DISTRIBUTION	5493	5494	5551	5622	0	5592	(1000 MT)
Calendar Yr. Imp. from U.	0	0	0	0	0	0	(1000 MT)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

4950  
0.225

# Import Trade Matrix

**Country** Romania

**Commodity** Dairy, Milk, Fluid

Time Period  Units:

Imports for:

U.S.  U.S.

Others Others

Hungary	2500		
Moldova	1000		
Germany	600		

Total for Others 4100 0

Others not Listed

Grand Total 4100 0

# Prices Table

**Country** Romania

**Commodity** Dairy, Milk, Fluid

Prices in  per uom

Year	<input type="text" value="2002"/>	2003	% Change
Jan	<input type="text" value="14.3"/>	<input type="text" value="14.8"/>	3%
Feb	<input type="text" value="14.4"/>	<input type="text" value="15.7"/>	9%
Mar	<input type="text" value="14.9"/>	<input type="text" value="16"/>	7%
Apr	<input type="text" value="14.7"/>	<input type="text" value="15.7"/>	7%
May	<input type="text" value="14.3"/>	<input type="text" value="15"/>	5%
Jun	<input type="text" value="13.7"/>	<input type="text" value="14.2"/>	4%
Jul	<input type="text" value="13.4"/>	<input type="text" value="13.7"/>	2%
Aug	<input type="text" value="12.6"/>	<input type="text" value="13.2"/>	5%
Sep	<input type="text" value="12.7"/>	<input type="text" value="14.6"/>	15%
Oct	<input type="text" value="12.7"/>		-100%
Nov	<input type="text" value="13.1"/>		-100%
Dec	<input type="text" value="13.4"/>		-100%

Exchange Rate  Local Currency/US \$  
 Date of Quote  MM/DD/YYYY



# PSD Table

Country	Romania						
Commodity	Dairy, Cheese						
	(1000 MT)						
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official	Estimate [DA]	USDA Official	Estimate [DA]	USDA Official	Estimate [New]	
Market Year Begin	01/2002		01/2003		01/2004		MM/YYYY
Beginning Stocks	5	0	5	0	5	0	(1000 MT)
Production	91	26.5	93	25	0	28	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	1.7	0	1.5	0	1.5	(1000 MT)
TOTAL Imports	0	1.7	0	1.5	0	1.5	(1000 MT)
TOTAL SUPPLY	96	28.2	98	26.5	5	29.5	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	3.5	0	3	0	4	(1000 MT)
TOTAL Exports	0	3.5	0	3	0	4	(1000 MT)
Human Dom. Consumptic	91	24.7	93	23.5	0	25.5	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	91	24.7	93	23.5	0	25.5	(1000 MT)
TOTAL Use	91	28.2	93	26.5	0	29.5	(1000 MT)
Ending Stocks	5	0	5	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	96	28.2	98	26.5	0	29.5	(1000 MT)
Calendar Yr. Imp. from U.	0	0	0	0	0	0	(1000 MT)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

# Import Trade Matrix

**Country** Romania

**Commodity** Dairy, Cheese

Time Period  Units:

Imports for:

U.S.  U.S.

Others Others

Germany	1100		
France	200		
Denmark	115		
Hungary	95		
Italy	60		

Total for Others 1570 0

Others not Listed

Grand Total 1700 0

# Export Trade Matrix

**Country** Romania

**Commodity** Dairy, Cheese

Time Period  Units:

Exports for:

U.S.  U.S.

Others Others

Greece	1990		
Turkey	880		
Germany	350		

Total for Others 3220 0

Others not Listed

Grand Total 3540 0

# PSD Table

Country	Romania						
Commodity	Dairy, Butter						
	(1000 MT)						
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official	Estimate [A	Official	Estimate [A	Official	Estimate [New]	
Market Year Begin	01/2002		01/2003		01/2004		MM/YYYY
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	6	5.8	6	7	0	7	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	1	1.8	1	3	0	2	(1000 MT)
TOTAL Imports	1	1.8	1	3	0	2	(1000 MT)
TOTAL SUPPLY	7	7.6	7	10	0	9	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0.7	0	0	0	0.5	(1000 MT)
TOTAL Exports	0	0.7	0	0	0	0.5	(1000 MT)
Domestic Consumption	7	6.9	7	10	0	8.5	(1000 MT)
TOTAL Use	7	7.6	7	10	0	9	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	7	7.6	7	10	0	9	(1000 MT)
Calendar Yr. Imp. from U.	0	0	0	0	0	0	(1000 MT)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT)
TS=TD							
8.88E-16							

# Import Trade Matrix

**Country** Romania

**Commodity** Dairy, Butter

Time Period  Units:

Imports for:

U.S.  U.S.

Others Others

Germany	1012		
The Netherlands	443		
France	172		
Hungary	62		
Czech Rep.	20		
Sweden	20		

Total for Others 1729 0

Others not Listed

Grand Total 1800 0